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SUBJECT: British Discuss South China: Economic/Political  
but Security Concerns as well

1. (SBU) SUMMARY: At a recent meeting with British Consulate colleagues, the topics for discussion included growth in the high-end real estate market, prospects for continued economic growth in South China, successful strategies for requesting meetings with local officials on sensitive topics, and the growing population of foreign Muslims. We also heard how our British counterparts have approached the issues of building rule of law and fighting corruption as long-term goals best achieved through small-scale projects, such as scholarships that expose promising young Chinese to life in Britain. On visa affairs, we learned that despite high issuance rates there is still a perception that getting a British visa is difficult. As part of ongoing efforts to curb fraud, the British will begin fingerprinting applicants next year, are promoting legal routes to obtaining a visa, and are cooperating with local officials on forgery training. An ongoing human rights dialogue with the Chinese government in Beijing will include a visit to Guangzhou this year so that UK participants can meet with local groups involved in the themes of this year's meeting -- legal representation in the courts and workers rights. END SUMMARY.

2. (SBU) The Consul General and Econoffs recently met with British Consul General Chris Wood and Deputy Consul General David Lusher for a periodic meeting to discuss South China political and economic issues. This was the final meeting between Consul General Dong and our British Colleagues, who expressed a keen interest in continuing these meetings once incoming Consul General Goldberg arrives at Post.

Adding Hunan Province  
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3. (SBU) CG Wood began by noting that Hunan Province had been added to his consular district, and as a result, he had recently paid a familiarization visit to that province. He noted that he was surprised by the large amount of South Korean investment he saw there. He explained that Hunan Province will be the United Kingdom's third largest market after Guangdong and Fujian, and he also noted that the British Council sees a huge potential market in Hunan for students who want to study in the UK.

Who is Buying all the Apartments?

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14. (SBU) Several times throughout our meeting CG Wood expressed his curiosity about the local real estate market, asking rhetorically, who is buying all the luxury apartments that are being built in the region? He commented that given China's weak banking system and the lack of either risk assessment or credit systems he was very surprised that people were able to buy high-end apartments at a rate that would justify the growth in this market.

What Will Stop the Growth?  
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15. (SBU) The discussion of the real estate market led Wood to ask rhetorically what it would take to stop the economic growth that South China has been experiencing. To this end, we discussed the local water shortage, noting that while the region also lacks power, power can be created, unlike water. Econoff commented that further complicating the water shortage issue is the fact that in addition to the shortage, much of the limited water that is available is heavily polluted.

It's All in the Marketing: "Energy Efficiency" is In  
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16. (SBU) In discussing the local water and power shortages, Wood emphasized that China energy issues and climate change are at the top of his government's agenda. As such, the British have recently named a new climate change envoy -- who incidentally is considered a "China hand" -- and the topic of "climate security" is being addressed by his consulate at the local level. He explained to us that in

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his experience, local officials -- such as interlocutors from the Development and Reform Commission -- will not meet with officers from his consulate to discuss "climate change," but they will meet if the meeting is framed as an opportunity to discuss "energy efficiency." His said that despite their interest in this topic, many officials appear to be focused solely on energy efficiency at the industrial level, to the exclusion of the consumer level.

Changing Society One Person at a Time  
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17. (SBU) The group next discussed the problems of corruption and weak rule of law in China. Consul General Dong commented that one advantage China has in the struggle against corruption is that in China corruption is seen by most people as morally wrong, which is not true in all countries. This basic belief gives the Chinese government some leverage for change in the fight against corruption. Wood agreed and pointed out that his consulate is approaching these issues through small-scale projects. He explained that, for example, they have scholarship programs to expose intelligent young people to life in the UK and to free debate to help them learn more about these issues. He said that his government sends roughly 200 scholars from across China to study in the U.K. each year.

Visa Affairs  
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18. (SBU) Our British colleagues shared with us their belief that there is a perception in South China that getting a visa to the U.K. is difficult, despite an issuance rate of roughly 85-90%. They noted that in regard to student visas, they are seeing fewer applications, but the approval rates for these applications are going up, which leads them to believe that their outreach efforts are indeed educating the general public about visa requirements and are encouraging qualified applicants to apply. Lusher mentioned that they would begin fingerprinting visa applicants next year.

¶9. (SBU) Lusher also mentioned that he had recently visited Fujian Province to discuss visa issues. Exhibiting his typical understated humor, Lusher noted that he went to Fujian -- a region infamous for visa fraud -- because it is home to "many of the people who come to see us without documents." Lusher explained that he and his colleagues wanted to share their expertise with Fujian officials, but they encountered a good deal of denial from local officials, who maintained that everyone who left had proper documents. They claimed that any illegal activities that occur were happening overseas. We have also encountered this type of response when dealing with Fujian officials.

¶10. (SBU) To counteract the levels of fraud the British Consulate is encountering, Wood mentioned that his staff is working to promote the legal route to obtaining a British visa as a way to stop applicants from taking illegal routes (snakeheads) or from becoming involved with visa brokers. Wood commented that his consulate is also cooperating with officials on forgery training.

#### Human Rights Dialogue

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¶11. (SBU) Wood next noted that his government has a human rights dialogue with the Chinese government two times each year. He explained that the China portion of the dialogue would be occurring the week of 3 July. It would begin with formal meetings in Beijing, followed by the U.K. participants visiting Guangdong for two to three days. During that time, the group would visit entities such as the Federation of Trade Unions, the Public Security Bureau, and various research institutes. The themes of this year's dialogue are legal representation in the courts and workers rights.

¶12. (SBU) In discussing workers rights, Wood mentioned that the UK Ministry of Commerce is more interested in the issue

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of corporate social responsibility (CSR) than it has been in the past. He commented that at the local level his consulate is involved in a "good practices" CSR working group. He said he hopes that a local group will eventually take the lead in this effort, but thus far no group has offered to fill this role.

#### Growing Foreign Muslim Presence

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¶13. (SBU) Turning to another topic, Wood also mentioned the large number of itinerant Muslim traders in Guangzhou, saying that their growing presence "give us pause for thought." He said that based on his understanding, the large number of foreign Muslim traders in Guangzhou do not associate with either the local Hui Muslims or Xinjiang Muslims. Underscoring his interest in this topic, Lusher mentioned on another occasion that the growing Muslim presence is of great interest to security officials at the British Consulate.

#### Comment: Preaching to the Choir

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¶14. (SBU) We find these periodic meetings with our British counterparts to be quite useful as a means to "compare notes" on our respective activities. It is also a good way to share examples of what works when dealing with local officials -- who can be quite cagey about agreeing to meeting requests -- and more importantly perhaps, what does not work. Because our two consulates share many of the same goals in our work in South China, we often do not learn of any surprising events or issues. Nonetheless, it is good to get together periodically to know that we are not a lone voice advocating for change in areas such as rule of law,

transparency, and CSR.

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